

# The New Zealand Emissions Trading Scheme (ETS) Review.

*By Roger Dickie, New Zealand Kyoto Forestry Association (KFA) Spokesman.*

Forest owners are pleased the review has been completed and are generally encouraged by the recommendations. The report (which was an outcome of coalition government) acknowledges that climate change is real and that global action is required to mitigate this and New Zealand should play its part in this. In addition it recommends that “all sectors and gases” (including agriculture) should be included and that NZ must work on reduction of emissions and adjustments to the economy to bring about these changes.

Implementation of an amended ETS now rests in the political arena as the National Government seeks to get support to change the legislation. The report recommended that New Zealand “*pursue an emissions trading scheme as the primary economic mechanism in its response to climate change*” and that “*international linkages be adopted between a New Zealand ETS and other Kyoto-compliant schemes*”. This appears sensible from an economic standpoint and will encourage new forest planting provided there is no price cap and no ban on international trading.

The report noted that “*A price cap in a New Zealand ETS could create a negative incentive for post-1989 forest investors in particular*” and the KFA agrees with this. KFA have always maintained that a price cap would be a huge disincentive for new forest planting and it is encouraging to see that whilst the report canvasses a short term price cap it is not supported by the Labour, Maori, Act or Green Parties. The report also notes “*However, in the long term, price caps stand in the way of market development and shield business from the real price of carbon to the economy. If a short-term cap is introduced a clear exit strategy is critical for maintaining market confidence and development.*”

The report also highlighted the need for certainty and stated “*We recommend to the Government that certainty for the forestry industry be legislated for as soon as possible to ensure that further planting is not inhibited.*” A lack of certainty in regard to New Zealand’s climate change policy as it affects forestry has resulted in negligible new planting over the past eight years.

Factors in the review, combined with hints coming from government suggest possible delays in bringing other sectors into ETS, delays in phasing out free credits and the previously discussed price cap and an international ban being introduced. These factors will weaken

the ETS. Incentives to reduce emissions (eg forest planting) will be significantly lessened if investors perceive that there will not be a free market in which to trade carbon credits

What is the relationship between New Zealand's net emissions and a healthy forest industry?

In 1990 New Zealand had net annual emissions of 44 million tonnes of CO<sub>2</sub>, which grew to 55 million by 2008. The 577,000 ha (approx) of existing Kyoto Forests planted since 1989, are sequestering around 17 million tonnes of CO<sub>2</sub> per annum. By 2020 the government would like our annual net emissions to be no more than 40 million tonnes and preferably less.

Each hectare of Kyoto compliant forest can sequester 25-30 tonnes of CO<sub>2</sub> per annum. If 1 million ha of forest was planted by 2020, this could sequester a further 25 million tonnes of CO<sub>2</sub> per annum.

In the eight years from 1992 to 1999 New Zealand achieved an average of 65,000 ha of new forest planting per annum, almost all of this was funded by private investors. In the peak years 84,000 ha and 98,000 ha were planted. This would imply that with the right incentives the planting of 1 million ha over 11 to 14 years is quite achievable.

It is difficult to see how New Zealand will meet its emissions targets for the next 50 years without a thriving and growing forest industry.